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accepted by others than the Association, do not count in determining the amount of liabilities.

3. The Federal Reserve Board may raise the above limit in its discretion.

4. The Edge Law limits the amount of the bank's own obligations (debentures,

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5. The Federal Reserve Board has power to put a limit on the bank's aggregate liabilities in any of the above classes.

A Comparison of English and American Export Trade Methods

By B. OLNEY HOUGH

Author, Practical Exporting; Editor, American Exporter

IN making any comparison of British and American export trade methods it will be easy to emphasize what may seem to be a certain superiority in the British. Let me say at once, however, that I am a sufficiently enthusiastic American to believe that any such apparent superiority in the trading methods or facilities of the British is more than offset by the versatility, the ingenuity and the aggressiveness of the American. I believe that our qualities will continue to win, as they have been winning for many years past. I believe that the more mature methods which may sometimes be observed in England, as well as certain better facilities which the English possess, will gradually become ours also. That we may the more quickly perfect ourselves calls for a better knowledge of our present deficiencies and perhaps a more intelligent appraisal of existing conditions and methods among our British rivals.

We shall be forced to restrict our survey of methods to characteristics of large and experienced business houses in the two nations. Not all large business concerns either in England or in the United States conduct their foreign business in the wisest or most effective ways; but certain facts stand out as more commonly to be found among

large and experienced English exporters than among similar exporters in our own country. We may consider two classes: first, manufacturers who do their own exporting; second, the professional export merchants who in both countries control an appreciably large proportion of export trade. We can refer only to impressions derived from some of the large and prominent houses in each class, which may or may not be typical, but are sufficiently numerous to make their characteristics notable.

EXPORTING BY MANUFACTURERS

To consider first the methods and policies of large manufacturers in the two countries who do their own exporting, we have to note comparatively few variations. It is difficult to generalize and impossible to determine to which side the scales incline when the practices and methods of individual concerns are reviewed. There is no such thing as an established rule of practice among individual manufacturers in England any more than in the United States. The chief contrasts which are to be noted are psychological, rather than in the actual conduct of business. So far as concerns the practical conduct of export business, it may be noted that British manufacturers no more

frequently than American attempt to develop their export trade through the employment of foreign traveling salesmen; in fact, I should say that nowadays a great many more traveling representatives of American manufacturers are to be found in foreign markets.

British manufacturers' credit terms to their foreign customers are in most cases similar to those which large American manufacturers extend; namely, sixty days, or ninety days, or sometimes four months; but possibly the practice of demanding confirmed bankers credits or otherwise "cash in advance" is commoner among American manufacturers. It should be observed that any new and previously unknown customer tendering an order to a British manufacturer will be required to pay cash, just as he will be if he opens negotiations with an American manufacturer.

On the other hand, it may be easier for a large industrial or public utility enterprise to arrange for its equipment with big British manufacturers than with American. When there is a question of an electric tramway, a hydro-electric plant, a ship-building enterprise, or something of that sort, it is supposed to be a common practice the world 'round for the company supplying the equipment to accept at least a part of this remuneration in bonds, shares of stock or long-term notes; hitherto at least it has been easier for English companies to dispose of the securities thus taken in payment for equipment, because there has been no opportunity in the United States for realizing on similar securities, and American companies when they have undertaken business of this character have usually had to go to London to unload these securities. There are scores, probably hundreds, of stocks and bonds, not only of industrial con-

cerns but also of Municipal and Government issues, which are listed on the London stock exchange, or are known as to their market values by bankers in London, which have never been heard of in New York City. However, so far as practices and methods are concerned, this sort of business is undertaken by some American companies of class and kind comparable to the British companies.

I think it may be true that large British manufacturers are more frequently liberal in their treatment of their foreign customers than are similar American manufacturers. An English company, finding an opportunity to introduce its wares in a market where that company has never before been able to do much business, is perhaps more apt than its American competitor to offer, not necessarily longer credit time, but more liberal support, including merchandise or supplies on a consignment basis. I do not mean to say by this that the same sort of thing is not done by some American houses, but it seems to me that there is a larger percentage of American manufacturers who do not look much beyond the getting of a first order and more British manufacturers who look ahead to the development of future trade. From another point of view this may happen because possibly the British have larger free capital or reserve funds at their disposal, commanding lower than usual American rates of interest, which they can invest in such consignments. I should say, however, that consignments by British manufacturers for the purpose of developing an export market are not frequent or impressive enough to make this feature of British business one sufficiently important to weigh heavily.

Something of the same disposition is evidenced also by the more general employment by British manufacturers of local native sales agents in foreign

markets working as representatives of sundry manufacturers on a commission basis. It is thoroughly characteristic of American manufacturers as a class that they look with distrust, suspicion and sometimes contempt on such foreign commission agents, when in a great many lines of business the English, like the Germans, French, Italians and most European manufacturers, seem to believe that through the employment of such commission agents they are likely to develop the largest possible volume of business in each agent's territory.

Contrasts in the psychology of British and American manufacturers are notable. It seems to be unfortunately true that laxity and a certain indifference are characteristic of many large American manufacturers, while the British are more disposed to be exact and painstaking, even if much more deliberate. In the United States we are indifferent to and gloss over a great many blunders. There are even some of our manufacturers who intentionally adopt the policy that it is cheaper in the long run to suffer occasional losses because of certain mistakes rather than to pay for uniformly and invariably careful and exact workmanship and service. The American manufacturers' customers here in our own country are rather complaisant. The manufacturer can "get away with" many things here at home which the British customer, or customers in other countries of the world, will not tolerate. The British manufacturer is therefore frequently regarded as more reliable—much more confidence is reposed in him.

The American manufacturer quite too often conveys, unconsciously, the impression to his prospective foreign customer that what he chiefly wants is that customer's money. The British, not by intention, but apparently because a little differently bred, avoids

giving that impression, although, strangely enough, the ordinary British manufacturer is not so adroit a salesman as the American.

The British manufacturer, it is trite to say, is characterized by his adherence to tradition, his refusal to change his methods, by general inflexibility. He is something like so many of his own products—solid, cumbersome, unnecessarily expensive. While the American manufacturer is quicker and more agile both in perception and in action, there are not a few examples of inflexibility of policy among very large American corporations ranking as our largest exporters. One such important American corporation was not long ago represented by a manager in one of the South American Republics who refused to deliver thirty-six dollars' worth of American goods to a ten million dollar local customer unless the money was sent to his office in advance of delivery. The president of this corporation in New York when told of the occurrence merely shrugged his shoulders and laughed, remarking that the local manager had adhered too implicitly to his general instructions. The president seemed utterly indifferent to the impression created on the large South American customer. Even today the greater success of this same corporation in that same foreign market is due to the fact that its present manager there consistently disregards the company's instructions and transgresses his authority, all without the knowledge of his American chiefs. His company's policy is not changed.

Both British and American manufacturers are human; are likely to squeal when they lose money or have to suffer, even through their own errors. But it is claimed, and I think with justice, that importers more often have cause for criticism of American manufacturers for ungraceful and undigni-

fied efforts to squirm out of a mess for which they are responsible. The less cause for complaint of this sort against British manufacturers is undoubtedly partly due to their greater deliberation and care in handling their export orders and in making and shipping their products. However, it should be recognized that by far the greatest part of the criticism so frequently leveled at American manufacturers is to be charged against inexperienced and ignorant amateurs who, because our country is much larger and much newer, abound here in greater numbers than in Great Britain and who are, because many American manufacturers are new in foreign markets, the more conspicuous targets for criticism.

EXPORT MERCHANTS

It is when we come to a consideration of the methods and facilities of the export merchants of the two countries that we are able to note many and rather important distinctions. I do not think it can be gainsaid that the British are better merchants, just as I am rather proud in thinking that we Americans excel as manufacturers. In speaking of merchants, I of course refer to those concerns in international trade which buy and sell but do not manufacture, although they may have manufacturing done for them, or may even control factories. It is only within comparatively recent years that there have been any export merchants in the United States, if we except the early days of our foreign commerce when we boasted of many merchants known all over the world. Only within about two years have those concerns in American ports, which called themselves "export commission houses," come to prefer the term "export merchants," although even today there are few such American houses who are merchants in the English sense of the word.

There are scores of true export merchants in England. When one looks over the City in London, one literally gapes with astonishment at recognizing the many names of big, rich, powerful, internationally known houses which have their own strong and influential organizations in India, in the Far East, in West and East Africa, in South Africa, Australia and in South America. These houses are not afraid to buy and sell, to put merchandise in stock in their foreign branches and resell it, to import foreign products for their own account. They buy not only English goods; they buy also American goods, German goods, and any other kinds of goods which their foreign organizations can handle profitably. These merchants are not in business for the purpose of fostering or developing British manufacturing industries; they are in business for their own account, to make as much money as possible. The foreign branches of these English merchant houses are not merely indent agencies, they are importers and merchants on their own account, as well as indentors. The parent house in London, we will say, makes its profits as an exporter and an importer; the branch houses abroad make their own profits as importers and as merchants, buying and selling locally as well as internationally, developing native industries, shipping local products not only "Home," but also to all parts of the world.

Examine the operations of some of these great English merchant concerns. Here, for example, is a London house, usually known as an "East Indian merchant" with an important organization and offices and warehouses, employing hundreds of clerks in Bombay, Calcutta, Karachi, Madras, Rangoon, Colombo and Singapore. These branch houses in India have very important interests in many different lines; per-

haps their largest business is in Manchester goods, that is, in cotton textiles. This industry may perhaps occupy the whole attention of the Calcutta house, but the Bombay house may have other and diverse interests as importers—it may not only have a large business in textiles, but it may also handle iron and steel products, rosin, bicarbonate of soda, umbrellas, stylographic pens in one hundred gross lots for the native trade, innumerable different commodities suitable for that market. It imports its goods not only from England but also from all parts of the world. It will buy wire nails from the United States, from England, or from Belgium, as price offers may make desirable. It imports almonds from the Islands of the Greek Archipelago; it buys men's undershirts in Barcelona, because the cheapest things for the native Indian trade are found there. This Bombay house ships skins to the United States, jute to Dundee, buys dates from the Persian Gulf, and ships them to various parts of the world.

The other Indian branches of this large English merchant house are similarly occupied and all of them are also interested in local industries. They furnish part of the capital and assume the direction of mills of various sorts, tea and rubber plantations, exploit teak forests in the Shan States, etc.; furthermore, although known as an East Indian merchant, this same house has branches in Portugal and is largely interested in the wine business of that country, while in years gone by it even had important investments in copper mines in the United States.

The house just described is one of many. It has large and important competitors in India who also rank in England as East Indian merchants. In Bombay and Calcutta you will find branches of twenty or thirty English merchant houses comparable in some

degree to the house described. So also in China there are numbers of examples of rich and powerful branches of British merchants.

As a further illustration of the activities of merchants of this description, let us take another example, a house which has three or four branches in Japan which import machinery for industrial enterprises, rails, and railway equipment, piece goods, all kinds of commodities for which a market can be found. It exports Japanese products. Furthermore, it has had very important interests in the camphor industry of Formosa, in promoting and developing Japanese coal mines, and it was largely responsible for the development of the petroleum fields of the Dutch East Indies. There was a time when it took out to Sumatra forty-two expert American well drillers from Pennsylvania.

Similarly diverse activities characterize British merchants all around the world, whether developing cocoanut oil on the West Coast of Africa, a sugar industry in Fiji, or doing business in Manchester cottons, Bradford woolens, or Nottingham laces in South America, promoting a cement works here, a shipyard there, operating coastwise vessels, or sometimes long chains of twenty or thirty retail department stores.

Another class of British merchants do not operate as merchants under their own names in foreign countries, but carry favored local customers in various markets for heavy lines of credit. One house may, for example, put out £50,000 in South Africa; one customer receives a limit of £5,000; another customer a limit of £10,000; interest at a liberal rate as paid. The major part of purchases of the sundry clients is effected through the London merchant who profits by the usual buying commission, charges shipments against the account of the South African customer who makes remittances

to keep his indebtedness down to the agreed upon limit.

Contrast organizations of such descriptions with the operations of the two thousand or more professional American exporters—call them commission houses or merchants, as you please. Personally, I doubt whether there are more than eight or ten American concerns which are really merchants; perhaps only one or two whose activities are in any degree to be compared to the activities of such British merchants as I have just mentioned. Our American exporters, with very rare exceptions, do not as a rule buy a dollar's worth of merchandise for their own account. They merely execute orders which their customers in foreign countries send to them for execution. The foreign branches of American export houses are not importers, are not merchants, with few exceptions are purely indent agents, order takers, or sales agents for special articles. Most of our American exporters seem afraid to take the risk of operating as merchants; perhaps comparatively few of them are heavily enough capitalized to work in that fashion. The import operations of those American houses, which may by misuse of the language be called merchants, are usually on a commission basis only, and when they do buy for their own account seem usually to be purely speculative, as from time to time the market here may tempt.

More than this, our American export merchants—to call them by that term to which they are not entitled—are for the most part, unhappily, highly provincial, seldom operating in any except strictly American products. Here is to be observed another fallacy in the arguments of so many who write about the expansion of American foreign trade; namely, the claim that we must have American merchants in foreign

countries to sell American goods. True, American merchants in Brazil might naturally prefer American goods, but they would not be highly successful unless, like British merchants in Brazil, they handled goods of no matter what origin, whatever merchandise they could buy and sell profitably in that market. The British are pleased with the fullest possible success of British houses all around the world no matter whether those houses handle solely or even chiefly British goods. The greater the success with foreign goods of a British house in Brazil or in China, the greater will probably also be its success with English goods; in any event the greater is the prestige of British commerce and the more do profits of the foreign branch enrich the home office.

Some years ago there came to my attention a case of an American exporter who had a branch office in Australia operating on an indent basis and who also had his own agent in London. The Australian branch and the London agent saw opportunities of working together and doing business in Australia in British-made goods, but American headquarters peremptorily refused permission to do business in any other than American goods. A branch of an American export house in China six months ago boasted loudly of its success in securing an order for four locomotives for a Chinese railway. A British merchant in the same Chinese city said nothing about it, but by the same mail transmitted orders for twenty locomotives to American manufacturers.

Both British and American export merchants do business as indentors on a commission basis. We shall have to confess that foreign importers trust the British exporter far more than they trust the American, and some of them prefer to pay 5 per cent commission to the British exporter instead of $2\frac{1}{2}$ per

cent to an American exporter. The British characteristics of care, attention and accuracy outweigh the lower commission of the American house, to say nothing about the irritating list of pettities which the English exporters so often tack on to their invoices, which the American usually waives. British exporters and manufacturers seem to work together with more mutual confidence than do the two classes in the United States. British manufacturers seem to have more confidence in the exporter and value him rather more highly, while the exporter feels reasonably sure that the manufacturer will supply exactly the right kind of goods in the right way.

Furthermore, the British export merchant is not so eager to seek, indeed, to demand, special confidential discounts for his own use from the manufacturer. British exporters establishing branch offices in New York have been known to protest energetically against what they have considered the dishonest practices of American exporters in demanding such discounts from our manufacturers, when they are supposed to give every advantage to their foreign customers who entrust them with their orders. This is one of the reasons why in traveling around the world it is so often found that importers, even when they criticize British exporters, yet regard them as more square and honest than American exporters.

FACILITIES OF ENGLISH AND AMERICAN HOUSES COMPARED

British export merchants undeniably possess certain advantages and facilities which are not yet ours; for example, they have heretofore had an advantage or have been more interested than Americans in seeking out and developing advantages in shipping facilities. I am not now referring to the English merchant marine as contrasted with

the American merchant marine. I mean that there have been more ships in British harbors loading for more different parts of the world, more liners and tramps soliciting cargo. This has sometimes made it possible for British shippers of crude commodities to make exceptionally advantageous arrangements for freights. I have seen Portland cement shipped from England to Egypt at almost nothing per ton, chiefly because a ship needed ballast.

The banking facilities of English exporters as contrasted with our American facilities have been generally exaggerated, with the sole exception of the London discount market. Bankers in London have offered as a rule no better facilities in financing than have been available to New York exporters. It can not be claimed that the branches of certain large British banking institutions in New York have not offered just as good facilities to our exporters as the offices of the same bank in London offered to British exporters. The sole and only distinction that I know of, so far as banking practises and indulgences are concerned in the routine handling of export transactions, has been that the more intimate acquaintance with exporting and with foreign exchange on the part of the British has occasionally developed an ingenious operation devised to help a comparatively small but worthy exporter, whereas in our own country bankers have not always shown the same anxiety to devise means of helping.

The London discount market has, however, offered a very genuine and a very important help to the British exporter. We are now trying to promote a discount market here and progress is certainly being made; however, so far as our export trade is concerned, there are many difficulties in the way of our taking as full an advantage as the British of such a discount market as we

may develop. Ordinarily, a New York exporter's transactions are covered by his drafts on his foreign customers, the exporter gives an acceptance and a bank lends its endorsement in order that the acceptance may be discounted. The operation is a somewhat complicated one in general exports of manufactured goods as contrasted with bulk shipments of cotton or grain. For example, in the case of a merchant making twenty different shipments by one vessel to as many different customers in Brazil, the draft on one customer being at sight, on other customers at thirty days, sixty days, or ninety days and all for varying amounts, some of them perhaps small. British exporters, with their own organizations in foreign markets shipping to their own houses, finance for their own people. Take, for example, such a great East Indian house in London as that which I have described; millions of dollars' worth of Manchester goods are purchased every year. The London house finances these large invoices, accepts, in conjunction with the Hongkong Bank or the Chartered Bank; the London discount market absorbs this paper; and the export merchant used to secure—before the war—an annual interest charge of about $3\frac{1}{2}$ per cent instead of our American 6 per cent. The London house refinanced according to circumstances on its own branches in India, often merely by debit and credit entries, since the branches in India were shipping Indian produce, and since the financial interests of both the branches and the parent house were identical.

Investments in foreign securities are being strenuously urged upon Americans, very often as a means of developing our export trade. Of course investments in any kind of foreign securities may help the present critical condition in the foreign exchanges through the export of funds in payment

for such securities in addition to our remittances to cover our imports, all going to offset our tremendous export figures; but the present are abnormal times; it is not always necessary to correct adverse or favorable rates of exchange, and there is much more to be made of American investments in foreign securities in the way of developing American export trade than most people seem to realize. The late Willard Straight was one of the few Americans who differentiated sharply between American investments and saw clearly the kind of investment necessary for the expansion of our foreign commerce. We have many offerings to the American public of foreign government and municipal bonds; occasionally small offerings of the bonds or shares of foreign railways or public utilities. Most of our financiers, above all our banks, which are nowadays giving so much attention to their bond departments, emphasize only the desirability of investments in bonds and mortgages. We are neglecting, if not forgetting, the essential, basic theory of such investments as a help to export trade. The ownership of bonds and mortgages gives no control over the properties; sufficiently heavy investments in shares do give such control.

The English have profited in their export trade from their foreign investments because they control the enterprises which their money finances. If a railway is to be built in Iceland, the money will be raised in London, the Chairman will be an Earl or a Baronet, the board of directors will meet and the financial offices will be located in London; the purchasing agent as well as the constructing and operating engineers will be Englishmen, and the equipment and supplies of that railway will naturally drift, so far as possible, to those English suppliers known to the engineers and the purchasing agent. They

will not be averse to buying American supplies if they can be persuaded that such supplies are desirable and suitable, but their wholly human disposition will be to buy their goods in the market from which their enterprise is financed and from suppliers with whom and with whose products they are best acquainted. We may buy up all the mortgages and bonds of a railway or any other company and it will not help us in the least so far as exporting merchandise to that company, its associates or its neighbors is concerned.

Even our present Edge Act, professedly designed to assist in the development of our export trade through the creation of agencies able to give us more adequate export credit facilities, specifically prohibits—as it now stands—banks organized under that Act from dealing in the shares of foreign corporations. Edge Act banks can only deal in bonds and mortgages, and whatever foreign securities the Edge Act banks may handle under the provisions of the present law will not directly affect one cent's worth of export trade for the United States. It is only through the actual control of a property that its policy can be dictated.

The one great lesson for us to learn, so far as I see it, in reviewing British methods, is the need of more thorough

training of American business men for foreign work, and for a longer, more practical and more comprehensive apprenticeship of our young men in export work. The development of the organizations of American merchants in foreign countries will very likely be promoted as time passes, knowledge increases, and funds attracted to this sort of development become more easy. The more thorough training for foreign trade is a serious and imperative necessity. I am not now referring to courses in foreign trade, which fortunately are becoming more and more common in our universities and even in our high schools. They are thoroughly desirable so far as they go. Supplementing them there must be a longer and more practical apprenticeship in the actual conduct of commerce in its day by day routine and many different aspects. We work rather rapidly in the United States; too fast by far. We have extended our characteristic half-baked efforts to our export trade expansion. All sorts and conditions of young men have been attracted to the export "game," as they lightly term it, and men of all sorts and conditions have been sent abroad to represent American interests, more often than not with no or little adequate training. Real and great success is not thus to be obtained.

Difficulties of Financing Export Trade

By FRANCIS H. SISSON

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THERE is perhaps not a very clear understanding by the public in general of the functions and the limitations of service of the international banks in relation to our export trade. This is plainly indicated by the suggestions that are now made by certain un-

informed critics that in some way these banks are not "supporting" this trade adequately.

It seems that such a charge ignores the primary fact of the relation of banks to our foreign commerce. Their essential interest and profit must al-